

Options for reforming the SNF PPS

ISSUE: MedPAC and others have raised two fundamental problems with the prospective payment system (PPS) Medicare uses to pay skilled nursing facilities (SNF). First, the PPS does not adequately distribute payments for nontherapy ancillary (NTA) services (such as drugs, IV medications, and respiratory therapy). Second, because providers are paid more if they furnish more therapy services, the system does not include incentives for providers to furnish only the amount of therapy that beneficiaries need. In addition, the PPS does not include an outlier policy to defray the losses from exceptionally high-cost patients.

Since the spring 2007, MedPAC staff has worked with researchers from the Urban Institute to improve the accuracy of SNF payments while reducing the incentives to furnish therapy for financial reasons. This work establishes a separate payment for NTA services, bases therapy payments on predicted care needs, and considers an outlier policy.

KEY POINTS: Staff will present information on how well a revised PPS design predicts costs and the effects on provider payments. Draft recommendations will be proposed.

ACTION: We would like the Commission to discuss the proposed revisions to the payment system and consider the draft recommendations.

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